

INDUSTRY UPDATE

Biweekly Period Ending August 25, 2001

Phoenix Metro Area

Manufacturing

After announcing in mid-August that it was shutting down its semiconductor operations in Mesa over the next 2½ years (see August 11th *Industry Update*), **Motorola Corp.** hinted that it **may get out of the semiconductor business** altogether. Motorola's Semiconductor Products Division, which employs about 7,000 in the Valley, makes chips for computers and cellular phones. It's not anticipated that the sale will take place before 2004, about the time that the Mesa manufacturing facilities will have ceased production. Since the beginning of 2001, the Schaumburg, Ill.-based electronics company has announced layoffs of 30,000 workers, or about 20 percent of its worldwide workforce.

As part of a consolidation plan, electronics manufacturer and distributor **Avnet Inc.** is **moving a Tempe assembly plant** to the Dallas suburb of Grapevine, Texas. About **150 Valley jobs will be lost**, with local employees being given the option of relocating to Texas. The plant closure follows announcements of layoffs of about 500 Valley employees in May and 600 workers outside of Arizona in mid-August. Phoenix-based Avnet, the world's second largest electronics-components distributor, employs about 13,000 worldwide and 3,000 in metro Phoenix.

Maxwell Productions, a Scottsdale DVD manufacturer, expects to **triple its workforce to about 200** by the end of the year. Located in a 100,000-square-foot building at the Scottsdale Airpark (8521 E. Princess Drive), the one-year-old company will **need employees in a variety of professional, technical, and service occupations.**

Maxwell, which makes 120,000 digital versatile discs a day, is one of six U.S. companies that produce DVDs.

Construction

About **one-third** of **Del Webb's corporate employees** in Phoenix **received pink slips** following its **buyout** by Michigan-based **Pulte Inc.** About 250 of Webb's 4,200 worldwide employees work at its 135,000-square-foot corporate headquarters on 24th Street near the Arizona Biltmore. Del Webb's operations have become one of five divisions, known as the Del Webb Group, under Pulte.

Trade

A **Dallas-based food distributor** and grocery store owner, which divested itself of the ABCO supermarket chain in the past year, is now **looking to expand** operations in the wholesale grocery business. **Fleming Foods** is acquiring 100 percent ownership of the Arizona **Food4Less chain**, which will enable Fleming to aggressively expand operations of the wholesale grocery chain in the Southwest.

Finance, Insurance & Real Estate

Scottsdale-based **Finova Group Inc.** **emerged from bankruptcy** protection after securing a \$5.6 billion loan from Berkadia LLC. The commercial lender filed for Chapter 11 bankruptcy protection in March, shortly before reporting losses of nearly \$1 billion for the year 2000. Berkadia LLC, which will hold a 50 percent stake in Finova, is a partnership of Berkshire Hathaway Inc. and Leucadia National Corp. No information was available about how the new agreement might affect Finova's employment.

Services

Thanks to Arizonans' continued bad spending

habits, **no layoffs are expected** when a **Phoenix-based credit-counseling service merges** with a similar company in Houston. **Consumer Credit Counseling Services Southwest**, which employs 60 at a call center in north Phoenix and additional personnel at nine Arizona offices (five in Maricopa County), will **merge with Money Management International**. The combined companies will employ 160 and have an active client base of 70,000. The non-profit counseling services are funded through voluntary contributions by banks and other financial institutions.

With more than 200 call centers in the state, it's sort of surprising that **Arizona's first bilingual customer-service operation** only recently opened for business. **Bilingual Soluciones**, which was started by four Hispanic business executives, has about **30 employees** at its **west Phoenix facility** (5026 W. Indian School). But the company **expects to add another 100 employees** at that site by the **end of this year** and is eyeing 71,000 square feet of space at the former Maryvale Mall — that recently housed U.S. Census Bureau operations — which would allow for growth of an additional 2,000 positions.

Tucson Metro Area

Manufacturing

In mid-August, Chicago-based **Sara Lee Corp.** completed the **purchase of The Earthgrains Co.**, which employs about 450 people at a bakery in Tucson (827 E. 17th St.). There is **no information** on how the acquisition of Earthgrains — which makes products under the Rainbo, Grant's Farm, and IronKids brand names — will **affect employment** at the Tucson bakery, or the 500 sales and distribution workers in the region covering Tucson. With the purchase, Sara Lee, with \$17.7 billion in annual revenue, becomes the second-leading producer of bread products.

The Tucson metro area **needs to increase** its **skilled manufacturing workforce** by nearly

50 percent over the next several years to meet the demands of companies moving or expanding in the metro area, according to Mayor Bob Walkup. More than a **dozen manufacturing companies** are **considering moving to Tucson**, and with a relatively low unemployment rate the Tucson area is hard pressed to find enough individuals to take advantage of specialized training at Pima Community College and the Southern Arizona Institute of Advanced Technology. Currently, about 10 percent of Pima County's 372,000 workers are in manufacturing. Walkup says that needs to increase to 15 percent, or an additional 18,600 workers.

Mining

As mentioned as part of a story on the mining industry (see Aug. 11th *Industry Update*), Tucson-based **Asarco laid off 110** of 625 workers at its **Mission mine** in **Green Valley**, about 30 miles south of Tucson. Low copper prices (65 cents a pound) were blamed for the mid-August cutbacks. The layoffs will not affect Asarco's other operations in Arizona — Silver Bell north of Tucson and the Ray Complex near Hayden.

Construction

Westcor Partners of Phoenix came to an historic agreement with Pima County and Catalina foothills residents on a planned **271,000-square-foot upscale shopping center** at Campbell Avenue and Skyline Drive. Members of the Skyline/Campbell Community Coalition — which was formed two years ago to fight the project (La Encantada) — will not only have a voice in the project, but negotiated several concessions from Westcor: open space on one-third of the property's 37 acres, buffers from retail shops of up to 200 feet, and \$1.4 million from Westcor toward improvement of the Campbell-Skyline intersection. Construction of **La Encantada** is expected to **start in about a year**, with an opening set for mid-2003.

There is **little harmony**, however, involved

with a **massive project** about **30 miles north of Tucson** near the **town of Oracle**. While the Pinal County Board of Supervisors has approved a 4,600-acre, **8,500-home development** called **Willow Springs South Village**, area residents are attempting to put the project up for a vote, questioning its size and whether there is enough groundwater to support it. Tucson **developers Anan Inc.** and **Remington Group** are legally challenging the group's petition drive, saying the petition was filed after a 30-day deadline. Stay tuned.

Trade

Lowe's Home Improvement will **open its first store in Tucson** next summer when it replaces a former Montgomery Ward store at 4147 N. Oracle Road. The planned 150,000-square-foot store will **employ 175 people**. Lowe's currently has nine Arizona stores, eight in the Phoenix metro area and one in Yuma.

Chicago-based **General Growth Properties Inc.** has cornered the market on Tucson-area malls when it **purchased Tucson Mall** for \$180 million. General Growth, which owns and recently spent \$50 million to renovate Park Place mall, purchased the 1.3 million-square-foot shopping center, which features six department stores and 172 specialty shops. Because it now owns two of Tucson's largest shopping venues, General Growth may be able to attract new national retailers to the metro area.

Also looking to corner the market in Tucson is **Safeway**, which at the beginning of 2001 had 11 stores (second most) in the metro area. But the northern California-based chain **acquired and converted seven ABCO stores in Tucson into Safeway stores** and is planning to **open three new locations** by the **end of 2002**. All three stores — Broadway and Houghton Road, Golf Links and Kolb roads, and Broadway and Campbell Avenue — will feature Wells Fargo Bank branches.

Also hoping to make its presence felt, Chinese restaurant chain **Panda Express** expects to **open 10 free-standing locations** in the Tucson area within the next several years. The Pasadena, Calif., company, which has three satellite outlets in the Old Pueblo — at the University of Arizona and the Foothills and Tucson malls — recently opened its first free-standing store at the Cornerstone shopping center. **Each free-standing store employs about 20 people.**

Balance of State

Manufacturing

Tears of joy were shed by former Delphi Automotive Systems workers when it was announced a **California aerospace company** had **bought the Fort Defiance cable and wiring plant**. The Delphi facility on the Navajo Nation had closed in late March, laying off 91, as part of a worldwide restructuring plan by the automotive parts maker. The new owner, **Ducommun Inc.** of Long Beach, said it will **hire all of the laid-off workers**, with an eye toward adding more personnel. Tucson's largest manufacturer, Raytheon Corp., was a major customer of the Delphi plant and will now contract with Ducommun for wiring-harness work at the facility.

Construction

The **Lake Havasu City Council** approved a **major resort** project on 104 acres formerly occupied by the city's airport (which has moved east of State Highway 95) and 60 acres owned by the state. **Limmus Corp.** of Phoenix and **Roby Billard** will **develop the five-year Island project** that includes **two hotels** with a total of 750 rooms, a 50,000-square-foot **convention center**, 125 to 160 **condominiums, retail shops**, and an 18-hole **golf course**.

Trade

Lake Havasu City's first Home Depot, which is scheduled to open Oct. 18, is taking

applications for an **expected 150 jobs**. The 140,000-square-foot store on State Highway 95 is one of several large, mid-size, and small retail stores expected to be part of the **first phase** of the 54-acre **Airport Centre “power center.”** The second phase, which will include an enclosed mall on 240 acres, still lacks a developer.

Government

Due to the **Army’s plans to consolidate its personnel operations**, **Fort Huachuca** is **adding** slightly more than **100 civilian jobs**, of which about half will be hired locally. The Army’s Western Civilian Personnel Operations Center at the fort will hire 102 workers, while the fort’s Civilian Personnel Advisory Center will hire four. About 50 of the positions will be filled through transfers from other Army personnel locations.

INDUSTRY UPDATE

Industry Update is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.
